



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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**REGULAR BOARD MEETING
August 24, 2005**

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on August 24, 2005.

Board Members Present:

Kelly Fox, Chair
Jack Simington, Vice Chair
Michael Edwards
Pat Hepler
Jeff Holy
Mark Johnston
Maureen Morris
David Moseley

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research and Policy Manager

Guests:

Matt Smith, Washington State Actuary
Martin McCaulay, Office of the State Actuary
Kim Tanaka, Office of the Governor

Board Members Not Present:

Doug Cochran
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:55 a.m.

1) July 27, 2005 Board Meeting Minutes

It was moved that the July 27, 2005 Board meeting minutes be adopted as presented. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Actuarial Funding Policies and Goals - Matt Smith, Office of the State Actuary

Matt Smith, Washington State Actuary, opened with the LEOFF Plan 2 *Actuarial Funding Policies and Goals*. Mr. Smith's presentation included an overview and definitions of actuarial assumptions, investment return assumptions and policy, frequency of contribution rate changes, and benefit improvements. He went on to brief the Board on what upcoming activities it should consider in planning its funding policies and goals:

- Review, revise, and adopt funding policies by December 31, 2005
- Board to receive the results of the 2004 actuarial valuation in October, 2005
- PFC/Board may adopt changes to economic assumptions in the spring of 2008
- 2001-2006 full actuarial experience study in the spring of 2008

3) Service Credit Purchase for Injury, Initial Consideration – Tim Valencia

Tim Valencia, Senior Research and Policy Manager, presented an Initial Consideration on *Service Credit Purchase for Injury*. The report included the current temporary duty disability provisions, a comparison between other Washington state plans, and the authorized leave of absence provisions.

The Board requested that staff conduct additional research on a plan that offers no interruption in service credit due to an on the job injury. An Initial Consideration Follow-Up report will be provided at an upcoming Board meeting.

4) Board Meeting Attendance Policies – Tim Valencia

Tim Valencia provided the Board with an example of a *Board Attendance Policy* and a copy of the *Boards and Commissions Membership Handbook* recently released by the Office of the Governor.

Kim Tanaka, Boards and Commissions Coordinator with the Office of the Governor, briefly explained Board member attendance and participation expectations of the Governor. The *Boards and Commissions Membership Handbook* urges all Board's to create an attendance policy based on the Governor's expectations.

Chair Fox requested that questions and comments regarding this topic be forwarded to Steve Nelsen. The Administrative Committee will meet to discuss the attendance issue and create a draft policy in September and will bring the draft policy back to the Board for possible action at the October Board meeting.

5) LEOFF Plan 2 Retirement Board 2006 Meeting Dates – Tim Valencia

Tim Valencia presented the *2006 Proposed Board Meeting Dates*. The dates were selected after carefully reviewing other major organizational meetings and conferences to ensure there were no conflicts.

Chair Fox instructed Board members to check their calendars against the proposed dates and to be prepared to adopt the 2006 Board meeting schedule at the October meeting.

6) Administrative Update

Select Committee on Pension Policy (SCPP) Update

Steve Nelsen, Executive Director, updated the Board on issues discussed at the latest SCPP Meeting. The SCPP discussed gain sharing, consistency among plans, coordination between the LEOFF Plan 2 Retirement Board and the SCPP, and various organizational goals.

Newsletter

Mr. Nelsen suggested that a summary of the Board's pension studies from 2005 and the associated costs, which have been frequently asked for by plan members, be provided in the 2006 edition of "Dual Response". He proposed the current four-page newsletter be expanded to a six- page tri-fold to accommodate the additional information. It will cost approximately \$2,200 to include this information in the newsletter.

The Board approved the additional cost and would like the staff to move forward with the changes to the newsletter.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the September 28, 2005 Board meeting.

7) Dual Membership, Initial Consideration – Greg Deam

Greg Deam, Senior Research and Policy Manager, presented an Initial Consideration on *Dual Membership*. Mr. Deam's presentation included definitions and features of dual membership, the members impacted, and how dual membership works in LEOFF Plan 2, as opposed to the other retirement systems.

8) Retirement Age, Initial Consideration – Greg Deam

Greg Deam provided the Board with an Initial Consideration on potential improvements to the current LEOFF Plan 2 benefit structure and the impacts associated with lowering the *Retirement Age* from 53. The report included a brief history of retirement age, an explanation of age-based and service-based retirement, blended retirement, as well as the pros and cons of each type of retirement (age-based, service-based, or blended).

Costs Associated with Retirement Age – Martin McCaulay,
Office of the State Actuary Martin McCaulay, Associate Actuary, provided a follow-up to the Retirement Age Initial Consideration and discussed the costs of *Changing the LEOFF 2 Retirement Age*. Mr. McCaulay's report incorporated the current retirement age, the impact on rates to lower the retirement age, total rate increases, the members that would be impacted, and retirement rate assumptions.

9) Member and Employer Surveys – Steve Nelsen

Steve Nelsen informed the Board that staff has completed an employer survey, which was conducted by phone and was pleased to report that staff received a 100% response rate from LEOFF Plan 2 employers. A report on the survey results will be provided at the September or October Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for September 28, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 2:58 p.m.